



Iowa Department of Human Services

Terry E. Branstad
Governor

Kim Reynolds
Lt. Governor

Charles M. Palmer
Director

Iowa Mental Health and Disability Services Commission

January 10, 2013

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The Honorable Terry E. Branstad
Office of the Governor
State Capitol Building
Des Moines, Iowa 50319

The Honorable Joe Bolkcom
Co-Chair, Mental Health and Disability Services Redesign Fiscal Viability
Study Committee
Iowa State Senate
State Capitol Building
Des Moines, Iowa 50319

The Honorable Renee Schulte
Co-Chair, Mental Health and Disability Services Redesign Fiscal Viability
Study Committee
Iowa House of Representatives
State Capitol Building
Des Moines, Iowa 50319

Re: Mental Health and Disability Services Redesign Transition Fund

Dear Governor Branstad, Senator Bolkcom, and Representative Schulte:

We have reviewed the Iowa Department of Human Services Transition Fund Report (December 1, 2012) and discussed it at length with Director Chuck Palmer and MHDS Administrator Rick Shults during our December 6, 2012 and our January 3, 2013 meetings. While we appreciate the effort that went into their process for evaluating county applications and the development of the principles they used as a basis for their recommendation, we respectfully disagree with the Department's conservative funding recommendation and want to share our recommendation and rationale with you and the members of the Mental Health and Disability Services Interim Study Committee.

The DHS analysis concludes that Scenario Three (calling for approximately \$1.5 million in transition funding) is the most consistent with the principles identified by the Department:

- All counties should be treated equitably.
- Counties are expected to operate with balanced budgets each year by managing service costs so they do not exceed available revenue.

- Counties are expected to pay all of their unpaid bills.
- Transition Funds are intended to maintain current non-Medicaid county MHDS services and address unintended consequences of MHDS Redesign.
- Transition Funds are not to be used to pay unpaid bills from previous fiscal years.
- Transition funds are not to be used to build a SFY2014 fund balance.

These principles do not address the issues of inequity that were imbedded in the old system or fully resolve the unintended consequences of redesign. The Commission believes that preserving needed services to consumers should also be acknowledged as a foundational principle. We also did not find the stated principles used in the Department's Transition Fund Report in the Transition Fund administrative rules promulgated by DHS and adopted by the MHDS Commission. We note particularly the following concerns:

- The old county funding formula resulted in wide fluctuations from year to year; some counties are coming into the transition in a down year, and others are coming into it at the top of the funding cycle – treating them all the same is not treating them equitably.
- While counties should be expected to operate within balanced budgets each year by managing service costs so they do not exceed available revenue, the current budget shortfalls in some counties are the unintended consequence of the decision made to withhold state revenues from counties beginning July 1, 2012, well after their budgets were certified.
- Even under Scenario One, which would fund most of the applicant counties, counties will end the year with a zero fund balance, which makes starting the new fiscal year on July 1 very challenging since most property taxes are not collected until September and October.
- A letter sent by DHS to the ISAC Community Services Affiliate that was shared with the Commission stated, "The Department of Human Services expects counties to plan on meeting their obligations to pay state bills. However, DHS understands that many counties are facing financial challenges. DHS understands these counties must prioritize spending in a manner that is the least disruptive as possible to the people served." Counties that chose to pay for services and hold outstanding Medicaid bills find themselves with no other source of funds to meet their State obligations. In contrast, counties who chose to pay their State Medicaid bills now have a shortage of funds to pay for ongoing services to their local providers, resulting in service cuts. Since their unmet need is for funds to provide services, they can access the Transition Funds. Our reading of Scenario Three is that nearly all the transition funding would go to Scott County, which made the latter choice. Had other counties known that holding State Medicaid bills would have this result, many would have made different choices.

Above all, the Transition Funds were identified during the last legislative session for the purpose of ensuring that the services in place as of June 30, 2012 could be continued during the transition period, without cuts, until appropriate alternative funding or services are put into place. We need to follow through on that intent. We are in the process of transforming a service system has been starved for funding for a number of years. The changes associated

with redesign have brought both foreseeable and unforeseen consequences. The transition funding that has been identified should be leveraged for improving the system and preparing for the future changes. If we move into a regional system comprised of financially unstable counties we will have financially unstable regions and be no better off than we started. Funding is needed to sustain critical services to lowans with disabilities and mental health needs. Taking a narrow approach to the determination and allocation of these funds will ultimately hurt the people we serve.

The MHDS Commission urges you to:

- Act quickly to get needed transition funds into the hands of counties to avoid more cuts and support services to consumers
- Approve an amount of transition funding no less than the \$11.6 million described under Scenario One in the DHS Transition Fund Report
- Assist counties in identifying strategies to address unpaid State Medicaid bills and in resolving any other outstanding financial issues that could negatively impact regionalization
- Make fullest use of the available Transition Funds to ensure that needed services are kept in place or restored in the interest of service consumers

Transition is never easy. We recognize that counties need to operate with balanced budgets, effectively manage their services costs, and pay their bills. When the rules change midway through the game, however, they must also have access to the resources to meet those expectations. Principles cannot be separated from dollars – they should be used to guide how those dollars should be invested. lowans have real, immediate, and ongoing needs for mental health and disability services and it costs money to deliver those services, but it is a sound investment.

On behalf of the members of the Mental Health and Disability Services Commission, thank you for considering our comments.

Sincerely,



John (Jack) Willey
Chair, MHDS Commission

Cc: Senator Jack Hatch
Senator David Johnson
Senator Amanda Ragan
Representative David Heaton
Representative Lisa Heddens
Representative Linda Miller
Representative Mark Smith

Legislative Services Agency
Charles M. Palmer, DHS Director
Richard Shults, DHS Administrator of MHDS
Jennifer Harbison, DHS Legislative Liaison